

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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FM AMEMBASSY MANAMA BAHRAIN

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INFO AMEMBASSY ABU DHABI UAE

AMCONSUL DHAHRAN SAUDI ARABIA

AMEMBASSY DOHA QATAR

AMEMBASSY ISLAMABAD PAKISTAN

AMEMBASSY JIDDA SAUDI ARABIA

AMEMBASSY KUWAIT KUWAIT

AMEMBASSY NEW DELHI INDIA

AMEMBASSY TEHRAN IRAN

AMEMBASSY MUSCAT OMAN

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ABU DHABI PLEASE PASS DUBAI

E.O. 11652: N/A

TAGS : ELAB, SWEL, ECON, BA

SUBJECT : NEW LABOR AND SOCIAL INSURANCE LAWS COME INTO EFFECT
AMIDST CONFUSION AND CONTROVERSY

REF : MANAMA 757 (NOTAL)

1. AS EXPECTED (REFTEL) THE NEW LABOR AND SOCIAL INSURANCE LAWS WERE GAZETTED IN MID-JULY AND OFFICALLY CAME INTO EFFECT IN AUGUST. BOTH LAWS ARE SWEEPING IN THEIR APPLICATION, I.E., THEY COVER BOTH BAHRAINI NATIONALS AND ALL EXPATRIATES WORKING IN BAHRAIN, DETAILED IN THEIR DEFINITION OF EMPLOYER RESPONSIBILITIES AND EMPLOYEE RIGHTS, VAGUE IN THEIR DESCRIPTION OF EMPLOYEE RESPONSIBILITIES. ALL THIS HAD BEEN ANTICIPATED BY
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THOSE (SUCH AS THE OIL COMPANY, BAPCO) WHO HAVE BEEN FOLLOWING

THE EVOLUTION OF THE LAW THROUGH SEVERAL DRAFTS DURING THE YEAR. THOSE WHO HAD NOT BEEN FOLLOWING THAT DEVELOPMENT (INCLUDING MOST OF THE AMERICAN FIRMS IN BAHRAIN) HAVE BEEN SURPRISED AND NOT AMUSED AT WHAT THEY'VE DISCOVERED. SOME OF THE OIL-CONSTRUCTION RELATED FIRMS, PARTICULARLY THOSE WITH NON-UNION HISTORIES IN THE U.S. LIKE BROWN AND ROOT, AND THE HALLIBURTON GROUP GENERALLY, ETC., ARE FLOATING RUMORS THAT THEY MAY PULL OUT OF BAHRAIN AND MOVE "ELSEWHERE" IN THE REGION.

2. AS FAR AS WE CAN PIECE TOGETHER THE PUZZLE, THE GOB PRE-MATURELY ISSUED THE LAWS, IN ADVANCE OF SERIOUS CONSULTATION WITH THE FIRMS INVOLVED AND EVEN WITHOUT THE USUALLY SERIOUS CABINET CONSIDERATION WHICH PRECEDES SUCH LAWS, ON THE BASIS OF THE PRIME MINISTER'S DECISION THAT THE LAW MUST COME INTO EFFECT IN AUGUST, ONE YEAR FROM THE DATE OF THE SUSPENSION OF PARTS OF THE CONSTITUTION AND THE DISSOLUTION OF THE NATIONAL ASSEMBLY. HE APPARENTLY SAW IT AS ANOTHER EVIDENCE OF THE GOVERNMENT'S ABILITY TO GOVERN BETTER AND MORE EFFICIENTLY AND MORE EFFECTIVELY IN TERMS OF THE "REAL" INTEREST OF THE PEOPLE OF BAHRAIN WITHOUT THE NATIONAL ASSEMBLY. ON BALANCE, HOWEVER, IT WOULD APPEAR TO ARGUE THE OPPOSITE CASE: THE ASSEMBLY MIGHT HAVE IDENTIFIED THE PROBLEMS AND SAVED THE GOB SOME EMBARRASSMENT.

3. THERE ARE TWO MAJOR REQUIREMENTS WHICH ARE PARTICULARLY BOTHERSOME TO BOTH FOREIGN AND LOCAL COMPANIES. THESE ARE THE COVERAGE OF ALL EXPATRIATES (WHO ARE NOW ABOUT SIXTY PERCENT OF THE LABOR FORCE AND A MAJORITY INDIAN AND PAKISTANI) AND THE QUESTION OF THE "LEAVING INDEMNITY" ALLOWANCE. UNDER THE LAW AS WRITTEN NOW, THE EMPLOYEES HAVE THREE OPTIONS REGARDING THEIR ACCRUED LEAVING INDEMNITY ALLOWANCE. THEY CAN KEEP IT WITH THEIR OLD SYSTEM; THEY CAN HAVE IT TRANSFERRED TO THE NEW SOCIAL INSURANCE SCHEME OPERATED BY THE GOB OR THEY CAN WITHDRAW IT IN TOTO AND START AFRESH WITH THE NEW GOVERNMENT PROGRAM. IT IS THE LAST OPTION WHICH CONCERNS EMPLOYERS, PARTICULARLY THOSE WITH A HIGHLY-TENURED WORK FORCE LIKE BAPCO WHERE, SURPRISINGLY, A MAJORITY OF ITS WORKERS HAVE WORKED FOR THE COMPANY FOR MORE THAN SEVENTEEN YEARS (THUS RESULTING IN ELIGIBILITY FOR A WHOPPING LEAVING INDEMNITY ALLOWANCE). BAPCO ESTIMATES A POTENTIAL \$20 MILION (EIGHT MILLION BAHRAINI DINARS) CASH FLOW IF ALL ITS ELIGIBLE EMPLOYEES WERE TO WITHDRAW THEIR LEAVING INDEMNITY ALLOWANCE.

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ACCORDING TO THE LAW THEY CAN WITHDRAW THE ALLOWANCE WITHOUT LEAVING EMPLOYMENT.

4. THE GOB, BELATEDLY, AT THE HIGHEST LEVELS, SEEMS TO FINALLY BECOMING AWARE OF THE POSSIBLE IMPLICATIONS OF THE LAWS AND MINOR AMENDMENTS HAVE ALREADY BEEN GAZETTED. MAJOR CHANGES IN INTERPRETATION HAVE NOW BEEN INFORMALLY PROMISED WITHIN TWO OR THREE MONTHS, IMPORTANTLY INCLUDING THE LEAVING INDEMNITY QUESTION. ON

THIS SCORE, HOWEVER, THE GOB HAS BOXED ITSELF IN TO AN UNCOMFORTABLE DEGREE; IT WILL BE POLITICALLY EMBARRASSING TO WITHDRAW SOME OF THE BENEFITS ALREADY GRANTED. ON THE OTHER HAND, THE BAHRAINIS ARE CONCERNED THAT THE NEW LAWS MAY DAMAGE THEIR LAISSEZ-FAIRE REPUTATION AMONGST INTERNATIONAL FIRMS WHICH THEY CONTINUE TO WANT TO ATTRACT HERE. SOME AMERICAN FIRMS, BROWN AND ROOT IN PARTICULAR, ARE PUBLICLY SPREADING THE RUMOR THAT THEY MAY "PULL OUT" AND MOVE "ELSEWHERE, PERHAPS SHARJAH". THEY AND ALBA AND SOME OF THE LARGER BAHRAINI FIRMS WITH SIGNIFICANT EXPATRIATE STAFFS, SUCH AS KANOO AND THE LABOR CONTRACTORS, ARE TRYING TO GET THE GOB TO AGREE THAT EXPATRIATES SHOULD NOT BE COVERED BY THE LAW. WE JUDGE THAT IT WOULD BE DIFFICULT FOR THE GOB TO EAT AS MUCH CROW AS THAT; ALTHOUGH, ON THE OTHER HAND, THE EXPATRIATES CERTAINLY WIELD NO POLITICAL CLOUT AND IT IS DIFFICULT TO IMAGINE BAHRAINI WORKERS TAKING TO THE STREETS ON THEIR BEHALF (IT NOT BEING CLEAR THAT BAHRAINI WORKERS WOULD TAKE TO THE STREETS EVEN ON THEIR OWN BEHALF THESE DAYS).

5. WE WILL CONTINUE TO REPORT AT APPROPRIATE INTERVALS ON THESE ISSUES, PARTICULARLY AS THEY AFFECT AMERICAN FIRMS IN BAHRAIN. IN THE MEANTIME, WE ARE POUCHING TO NEA/RA THE SEMI-OFFICIAL ENGLISH VERSIONS OF THE NEW LABOR AND SOCIAL INSURANCE LAWS.

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